Testimony to the Insurance and Real Estate Committee
Connecticut General Assembly

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S.B. 13 An Act Reducing Prescription Drug Prices

Good morning, Senator Lesser, Representative Wood, Senator Anwar, Representative Comey, Senator Hwang, Representative Pavalock-D'Amato, members of the Insurance and Real Estate Committee.

I'm Paul Pescatello, Senior Counsel and Executive Director of the Connecticut Bioscience Growth Council.

I also serve as Chair of We Work for Health Connecticut.

The Connecticut Bioscience Growth Council is a committee of the Connecticut Business and Industry Association's biotech and biopharma members.

CBIA is Connecticut's largest business organization, with thousands of member companies, small and large, representing a diverse range of industries from across the state. Ninety-five percent of our member companies are small businesses, with fewer than 100 employees.

The Bioscience Growth Council was formed to foster collaboration both among Connecticut biotech and biopharma companies and, just as importantly, *with* our state. The Bioscience Growth Council's central aim is to represent biotech and biopharma companies and life science research institutions to help grow this important sector of the Connecticut economy. As you know, Connecticut – *this* General Assembly – has chosen wisely to invest in the life sciences as a means to help patients and their families find effective treatments and cures and build a new pillar for job creation across the Connecticut economy.

I am here today to speak in opposition to SB 13, An Act Reducing Prescription Drug Prices.

Laudable Goal

SB 13 reflects a laudable goal. However, there are many ways to lower healthcare costs, and this bill is not one of them.

The legislation is counterproductive to Connecticut's economic development efforts to grow the life sciences sector and bring the sector's valuable jobs to our state.

The bill displays a misunderstanding of what does and does not drive healthcare costs.

Canadian Drug Importation is Unworkable

I will start by addressing Canadian drug importation. This proposal is unworkable on at least three counts.

Canadian Government is Opposed

First, the Canadian government is opposed.

Every Canadian administration over the last 10 years, when queried about support for exports to Connecticut, raised objections—concerns about ensuring an adequate supply of medicines for its own citizens, as well as how Canadian pharmacies, laboratories, and drug suppliers and wholesalers would meet the bill's safety and efficacy guarantees.

Safety and Efficacy of Canadian Drugs Cannot be Guaranteed

Second, Connecticut wholesalers who import drugs from Canada must, among a host of requirements, be able to represent that an imported drug meets all U.S. Food and Drug Administration standards for safety, efficacy, and misbranding and adulteration.

Bear in mind that, under the mechanisms of this legislation, imported Canadian drugs would have to meet US "track-and-trace" requirements. These conditions raise liability and cost concerns and would likely discourage participation in the importation program.

That all the players in the Canadian-through-Connecticut supply chain would be willing and able to guarantee purity, dosage, potency, labeling accuracy, non-adulteration, etc., etc.—or identify tainted drugs passing through Canada from, say, Russia as not "Canadian"—is a bridge too far.

SB 13 Would Not Allow Importation of the Costliest Drugs

Finally, the bill does not allow importation of the costliest medicines – biological and other infused and injected drugs. Many, if not most, of the most effective oncology and autoimmune treatments fall into these categories.

Price Controls are Counterproductive

The second policy component of SB 13, its price cap provisions, ignore the long history of government-imposed price controls.

An academic, private sector, or government-sponsored study demonstrating the effectiveness of price controls does not exist.

Price Controls have Never Worked as a Solution to High Prices

No matter the product – flour, machinery, medicines – price controls cause shortages, delays in the introduction of new products and incentivize high introduction prices.

Price controls didn't work when Richard Nixon tried them, didn't work in Nazi Germany or the Soviet Union, and aren't working in Venezuela or Zimbabwe.

When tried, all price controls have done is ratchet up the misery of empty store shelves and metastasizing inflation. Applied to medicines, they would translate into shortages and slow, or non-existent, introduction of new, cutting edge cures and therapies.

Compliance Labyrinth

SB 13 establishes a compliance labyrinth.

Penalties for price cap noncompliance are set at 80% of the difference between the revenue derived from selling a drug outside the bill's price caps less the revenue that would have been made complying with the law.

The bill gives the Department of Revenue Services robust powers to collect records, hold hearings, and mandate disclosures.

It also bars manufacturers from withdrawing a drug from sale in Connecticut to avoid its price caps and, in any event, requires 180-day prior notice before a manufacturer could cease sale of a drug in the state.

SB 13 Would Undermine Innovation

SB 13's fundamental flaw is how it undermines our greatest competitive advantage: innovation.

To bring a new cure or safe and effective treatment to pharmacy shelves takes $2.7 billion and about a decade.

If biopharma innovators can't recoup their huge investments, they will pivot to other products where they can.

Do we want our biopharma industry to recalibrate its R&D machinery – that produced COVID-19 vaccines and cutting-edge anti-viral treatments in record time – to produce products unconstrained by price controls, like over-the-counter cough lozenges and cosmeceuticals?

Medicine innovation is, as well, the way out of, not the cause, of healthcare cost inflation.

As high as some medicine prices may seem, the medicines are far less costly than the surgeries, hospitalizations, and long-term care they replace.

Think of the cystic fibrosis patient freed of recurrent respiratory infections and, ultimately, the need for a lung transplant. Or the Hepatitis C patient cured and freed from the need for a liver transplant.

Or the millions freed from debilitating strokes and heart attacks owing to blood pressure and cholesterol lowering meds.

SB 13 is Contradictory to Connecticut's Life Sciences Economic Development Efforts

In conclusion, I will note that life sciences companies and their investors do not operate in a vacuum. Before making decisions about opening a lab, expanding in or withdrawing from a state, they conduct extensive research and due diligence.

If Connecticut is trying to nurture and grow a life sciences sector – to bring its high paying jobs and life-saving science to our state – why would we go where no state has gone and implement price controls? Something that is anathema to the biopharma industry and economists alike?

You must ask yourselves, would SB 13 be complementary to Connecticut's life sciences economic development strategy? Or, more likely, startlingly incompatible?

SB 13 will not lower drug prices, but it will reduce access to life-saving medications, stifle life sciences innovation, and add more complexity and cost to the healthcare system.

It may have some political value, but is devoid of authentic policy value for reducing healthcare costs.

I would be happy to answer any questions you may have or expand upon any points made in my testimony.

Thank you.